

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5419-03
Bill No.: HB 1593
Subject: Tax Credits; Economic Development; Economic Development Department;
Revenue Department
Type: Original
Date: February 13, 2012

Bill Summary: This proposal establishes the Missouri Angel Incentive Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0 to (\$6,000,000)	\$0 to (\$6,000,000)	\$0 to (\$6,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$6,000,000)	\$0 to (\$6,000,000)	\$0 to (\$6,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal creates the Missouri Angel Investment Incentive Act. The total amount of tax credits available for this program is \$66 million, with a total of \$6 million allowed annually for tax years 2012 through 2022. However, there are provisions for the balance of unissued tax credits to be carried over for issuance in future years until December 31, 2022. This proposal could therefore lower General and Total State Revenues by that amount. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal creates the Missouri Angel Investment Incentive Act to be administered by the Missouri Small Business and Technology Development Centers, University of Missouri. DED is a recipient of the annual report for the program. As a result of the proposal, DED assumes an unknown negative fiscal impact over \$100,000, offset by an unknown positive amount based on the increase in economic activity.

Oversight assumes this proposal may have a positive economic impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in the fiscal note.

Officials at the **Department of Revenue (DOR)** assume this proposal would require OA-ITSD (DOR) to make programming changes to various tax systems. The estimated cost of the changes is \$22,260 which is 840 FTE hours. Additionally the Personal Tax Division will need one Revenue Processing Technician I (\$25,380) per 6,000 credits claimed.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes DOR's Personal Tax Division could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE they could seek that FTE through the appropriation process.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Revenue Reduction - Missouri Angel</u>	<u>\$0 to</u>	<u>\$0 to</u>	<u>\$0 to</u>
Investment tax credit	<u>(\$6,000,000)</u>	<u>(\$6,000,000)</u>	<u>(\$6,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to</u> <u>(\$6,000,000)</u>	<u>\$0 to</u> <u>(\$6,000,000)</u>	<u>\$0 to</u> <u>(\$6,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

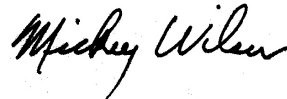
FISCAL DESCRIPTION

This proposal establishes the Missouri Angel Investment Incentive Act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue



Mickey Wilson, CPA
Director
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